ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

1983 ANNUAL REPORT

85-0517/

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

1983 ANNUAL REPORT

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD
2 BLOOR STREET WEST (27TH FLOOR) TORONTO ONTARIO M4W 3E2 (416) 926-2400

April 30, 1984

The Honourable Larry Grossman
Treasurer of Ontario and
Minister of Economics
Frost Building South
Queen's Park
Toronto, Ontario
M7A 1Y7

Dear Mr. Grossman:

I am pleased to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1983 in accordance with subsection 4(8) of the Ontario Municipal Employees Retirement System Act.

There are 1,046 employers participating in OMERS, comprising 490 municipalities, 133 school boards and 423 other local boards of municipalities. At year end, there were 127,849 employees contributing to the System and 25,613 retired members or their beneficiaries receiving monthly pensions. The invested assets of the Fund, at book value, amounted to $4,369,000,000 at year end with $1,293,000,000 invested in special debentures of the Province of Ontario and the balance of $3,076,000,000 invested in capital market securities with a market value of $3,429,000,000.

The latest actuarial valuation of the Fund as at January 1, 1983 indicates an actuarial surplus of $9,803,000 and the Fund continues to be in a fully funded position with current member and employer contribution rates being sufficient to fund the accumulation of pension benefits of members in the foreseeable future.

The responsibility for the management and administration of one of the largest pension plans in Canada on behalf of the employees of local governmnents in Ontario is a challenging and rewarding experience for the members of the Board.

The accompanying report is respectfully submitted to you.

Yours truly,

Grant E. Boyce
Chairman of the Board

TABLE OF CONTENTS

	Page
Letter to the Minister	(i)
Table of Contents	(ii)
Members of the Board	
Board Members	(iv)
Investment Policy Committee of the Board	(v)
Introduction	1
Major Activities — 1983	1
Pension Program	2
Investment Program	4
Finance and Administration Program	6
The Board and Its Advisors	7
Conclusion	8

continued . . .

TABLE OF CONTENTS (Continued)

Financial Statements

Balance Sheet 9

Statement of the Reserves 10

Statement of Administrative Expenditures 11

Notes to the Financial Statements 12

Auditors' Report 15

Actuarial Certificate 16

Schedules

1. OMERS – 5 Year Review of Financial Data 17

2. OMERS – 5 Year Review of Selected Data 18

3. Historical Highlights 19

4. Summary of Benefits 20

5. Summary of Marketable Securities 21

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1983

Mr. G. E. Boyce, Chairman
Superintendent-
Business Administration
Sudbury Board of Education

Mr. S. P. Dobbin, Vice Chairman
Stationary Engineer
Toronto Board of Education

Mr. C. R. Bernardi
Past Chairman
Director of Personnel
and Labour Relations
City of Sault Ste. Marie

Mr. G. McIntyre
Assistant Deputy Minister
Ministry of Treasury
and Economics

Mr. R. F. Bevan, Past Chairman
Past Chairman
Superintendent
Niagara Regional Police Force

Mr. A. J. Roberts
Immediate Past Chairman
Consumer Relations Representative
St. Catharines Hydro Electric
Commission

Mr. P. R. Burke
Firefighter
City of Windsor

Mr. D. C. Schaefer
Commissioner of Finance
City of Waterloo

Mr. E. W. Matthews
Reeve
Sidney Township

Mr. M. Scott
Mayor
Township of Lake of Bays

INVESTMENT POLICY COMMITTEE OF THE BOARD
as at December 31, 1983

Mr. R. M. MacIntosh, Chairman
Canadian Bankers' Association

Mr. J. C. C. Wansbrough, Vice-Chairman
National Trust Company Limited

Mr. H. M. Cunningham
Cockfield, Cooper, Cunningham
Investment Counsel Inc.

Mr. N. J. Short
Guardian Capital Group Limited

Mr. C. R. Bernardi
Member of the Board

Mr. G. E. Boyce
Member of the Board

Mr. A. J. Roberts
Member of the Board

Mr. A. W. Reeve
Executive Director

Mr. D. A. Beggs
Director of Investments

ADVISORS TO THE BOARD

Mr. R. A. Field, F.C.I.A.
The Wyatt Company
Actuary

Mr. R. G. MacKenzie, M.D.
Medical Advisor

Mr. Purdy Crawford, Q.C.
Osler, Hoskin & Harcourt
Legal Advisor

Coopers & Lybrand
Auditors

SENIOR STAFF

Mr. A. W. Reeve
Executive Director

Mr. D. A. Beggs
Director of Investments

Mr. G. A. Tyson
Director of Pension
Administration

Mr. C. Massouras
Director of Finance
and Administration

COMPOSITION OF THE BOARD

Five Employee Representatives:
Mr. R. F. Bevan, Mr. P. R. Burke, Mr. S. P. Dobbin, Mr. A. J. Roberts, (Mrs. L. McIntosh resigned June, 1983)

Three Employee Representatives who are "officers" of an employer:
Mr. C. R. Bernardi, Mr. G. E. Boyce, Mr. D. C. Schaefer.

Two Elected Representatives:
Mr. E. W. Matthews, Mr. M. Scott

One Provincial Official:
Mr. G. McIntyre.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

1983 Annual Report

INTRODUCTION

The Ontario Municipal Employees Retirement Board is responsible for the management and administration of the System. These responsibilities include the establishment of employer rates of contribution, organization and staffing, the receipt and investment of funds, the calculation and payment of benefits, the employer administration function, the enrolment of members, the maintenance of individual member records, communication with members and employers and financial reporting including the actuarial valuation of the Fund.

The Board also undertakes research and studies in benefit development and other current pension matters and makes recommendations to the Treasurer of Ontario for changes to the OMERS Act and regulations.

The Board is comprised of eleven members who are appointed by the Lieutenant Governor in Council to three year terms with about one-third of the membership completing their term each year. As of December 31, 1983, the eleven member Board is comprised of eight employees of local government, two elected officials of local government and one Provincial official.

The OMERS pension program divides into two main parts which are described in detail on schedule 4:

(i) the ***basic OMERS plan*** under which each participating employer and each member contributes at uniform rates and each member receives a pension benefit based on the same formula;

(ii) the ***supplementary benefit program*** which establishes pension benefits for the service of a member prior to participation in the basic OMERS plan, optional service entitlements and special early retirement benefits for members with a normal retirement of 60 years of age. These benefits are provided by individual employers for all or groups of employees under an agreement with the Board.

The Board is also authorized to manage and administer other governmental pension plans separate and distinct from OMERS. Under separate agreements, the Board manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Caucus Employees of the Legislature and a special plan providing pension guarantees related to the restructuring of local electric utilities.

MAJOR ACTIVITES – 1983

There were no changes to the Ontario Municipal Employees Retirement System Act during 1983 but there were a number of amendments made to the regulations under the Act.

The regulation changes occurred in January, 1983 and were discussed in detail in the 1982 Annual Report. They are briefly summarized as follows:

- an unreduced early retirement pension is available when the age plus the service of a member totals a factor of 90 or more
- an early retirement pension is reduced 5% for each year prior to the normal retirement age of a member where the 90 factor does not apply, a less severe reduction than required previously
- all prior service agreements were terminated and folded into supplementary benefit agreements (see schedule 4 for a description of supplementary benefits)
- all Type 1 supplementary agreements were valued to determine a "one-time" cost and the past service of the members became credited service in OMERS and portable within the System
- member fixed pensions under Type 2 supplementary agreements are now increased each year at the same rate of increase applied to pensions under payment and no further Type 2 agreements are available
- Type 3 supplementary agreements for members with a normal retirement age of 65 years were eliminated and the member entitlements grandfathered
- Type 3 supplementary agreements for members with a normal retirement age of 60 years were continued

- all member contributions to Type 3 supplementary benefits were treated as voluntary additional contributions.

Later in 1983, the regulation was amended to authorize a 4% increase to pensions under payment as at July 1, 1983 for persons receiving a pension on December 1, 1982. In addition, deferred pensions were granted a similar increase and a special retroactive increase was granted to deferred pensions to equate with past increases to pensions under payment.

During 1983 the Board considered possible changes to the pension benefits arising from requests of member organizations, changes to other public sector plans or recommendations of various pension reform studies. The Board placed priorities on these proposals so that they can be considered for implementation when the financial position of the plan warrants such action.

The Board issued "OMERS UPDATE" three times during 1983. This publication is sent to employers for placement in the workplace and allows members and employers to be informed of the activities of the Board.

The Board held eleven regular meetings in 1983 with two of these meetings held in Cornwall and North Bay. In conjunction with these meetings the Board met with member and employer representatives from the surrounding areas and also held a similar meeting for members and employers in Metropolitan Toronto.

In October, 1983 the Board authorized an organization change establishing a Finance and Administration Division to complement the Pension Administration and Investment Divisions.

Also during 1983 the Board adopted the French language policy of the Province for implementation in designated areas at the request of members in these areas. While certain publications were previously available in the French language, the policy will expand these services to members.

PENSION PROGRAM

On December 31, 1983 there were 490 municipalities, 133 school boards and 423 other local boards of municipalities participating in the System. At the end of 1983 there were 127, 849 contributing members with 51.3% employed by municipaiities, 25.5% by school boards and 23.2% by other local boards. This distribution of members by type of employer has remained virtually unchanged in the last five years. At year end 38% of the contributing members were female and 14% of contributing members had a normal retirement age of 60 years.

MEMBERSHIP ACTIVITIY

Contributing Members, January 1, 1983		126,121
Members enrolled		9,901
		136,022
Members terminated electing a:		
refund of contributions	4,181	
deferred pension	438	
transfer with OMERS	246	
transfer to another plan	71	
Disabled members electing a waiver	600	
Deaths of contributing members	327	
Retirements	2,310	8,173
		127,849

At year end there were 25,613 retired members or their beneficiaries receiving monthly pensions from OMERS. There were 14,386 retired members receiving normal retirement pensions, 4,034 receiving early retirement pensions and 1,603 receiving disability retirement pensions. In addition, there were 5,590 beneficiaries of members receiving spousal or children's pensions.

PENSIONER ACTIVITY

Pensioners, January 1, 1983		23,287
Additions from:		
active members	2,091	
deferred pensions	211	
disability waivers	141	
deaths of contributing members	195	
deaths of pensioners	405	
unsettled claims	100	3,143
		26,430
Deletions:		
Deaths of pensioners	794	
Cessation of children's pensions	23	817
Pensioners, December 31, 1983		25,613

The number of pensioners has been steadily increasing as a percentage of active members and at the end of 1983 represented 20% of active members. In 1979 this percentage was 15% of active members.

One of the purposes of establishing OMERS as a multi-employer plan for municipalities and local boards was to allow a pooling of the larger and smaller municipalities and make it possible for smaller groups of

employees to have adequate pensions at reasonable and stable member and employer costs. At the end of 1983, 561 or 54% of the participating employers had fewer than 25 employees and the average was 9 employees or 4% of the total membership. There were 60 employers, representing only 6% of all employers with 500 or more employees and these represented nearly 60% of the total membership. This "pooling" of large and small has allowed OMERS to meet one of its initial objectives and provide pension benefits on a par with most other public sector pension plans and the benefits have been financed on a sound fully-funded basis.

In 1969 the supplementary benefit program was introduced to provide past service benefits and special early retirement provisions under an agreement between an employer and the Board. During the 1969-1982 period, 321 such agreements were entered into with separate accounts kept for each agreement. The costs were provided by the employer and, in many instances, shared by the covered members.

Major changes were made to this program as at January 1, 1983. At the end of the year there were only 53 supplementary agreements still in operation to provide special early retirement benefits for members with a normal retirement age of 60 years. The past service component of the supplementary agreements became part of the basic plan. The costs for the past service were provided by a transfer of assets from the supplementary agreements and annual payments to be made in the future by employers.

At the end of 1983 there were 8,127 members covered for past service with such service recognized as credited service in the basic plan and thus fully portable within the System. 1,774 members were covered with a past service pension of a fixed amount which will now be increased each year at the same rate of increase applied to pensions under payment.

There were 13,898 members with a normal retirement age of 65 years, who were covered under a supplementary agreement providing for special early retirement options after 30 years of service. These members will continue to have this entitlement even though the Type 3 supplementary benefit program for these employees was discontinued with the introduction of the 90 factor for determining eligibility for unreduced early retirement. The 11,309 members with a normal retirement age of 60 years continue to be provided the special early retirement option after 30 years of service under continuing supplementary agreements.

At the end of 1983 there were 3,721 members who had terminated their employment, left their contributions in the System and were entitled to receive a deferred pension benefit at normal retirement age. As indicated earlier, these amounts of pension will now be increased each year at the same rate as increases to pensions under payment and a retroactive adjustment was made in 1983 to reflect past pension increases.

The following table summarizes the results of the actuarial valuation of the Fund as at January 1, 1983 with comparative figures for January 1, 1982:

($ Thousands)	Actuarial Valuation Results As at January 1	
	1983	1982
Actuarial Liabilities		
Present Value of:		
Pensions under payment	$ 573,415	$ 462,263
Vested deferred benefits	20,151	15,509
Benefits for present contributors and their survivors	2,914,863	1,994,651
	$3,508,429	$2,472,423
Assets:		
Fund assets at January 1	$3,518,232	$2,640,372
ACTUARIAL SURPLUS	$9,803	$167,949

The above results are based on current actuarial assumptions which include an estimate that salaries will increase 8% each year in the future, the Fund will earn 8% on investments up to the retirement or termination of a member and 7% thereafter and the Year's Maximum Pensionable Earnings under the Canada Pension Plan will increase 12½% per year until 1986 and 6% each year thereafter.

The valuations are based on an actuarial method referred to as the "unit credit cost" method which is the minimum funding requirement under the Pension Benefits Act (Ontario). The present value of liabilities for current contributing members is based on credited service to the date of the valuation and earnings projected to retirement. Based on the above results OMERS is fully-funded in that sufficient funds are on hand to provide for all current liabilities.

The liabilities for present contributors increased substantially (46%) between January 1, 1982 and January 1, 1983. This was due to the inclusion of liabilities related to the introduction of the "90 Factor"

early retirement, average salaries increasing approximately 13% in 1982 and the inclusion of past service liabilities with the transfer of Type 1 and Type 2 supplementary benefit agreements to the basic plan. Assets also increased due in part to a transfer of assets from the supplementary agreements. The actuarial position of the Fund on January 1, 1983 reflects approximately the financial position expected following the introduction of the "90 Factor" early retirement and the changes to the supplementary benefit program.

The transfer of past service supplementary benefits to the basic plan, the introduction of the "90 Factor" early retirement benefits and the introduction of regular increases to pensions under payment and deferred pensions have all been achieved within the existing member and employer contribution structure and without affecting the financial soundness of the System.

INVESTMENT PROGRAM

The flow of funds for investment are derived from a number of sources. These include member and employer contributions to the basic plan, less benefits paid, employer contribution for past service and special early retirement provisions for members with a normal retirement age of 60 years, investment income and net member and employer contributions from the pension plans managed by OMERS. All of these funds are pooled for investment purposes and the following comments on the investment program refer to the total investments. At the end of 1983 approximately 88% of the investments relate to the basic OMERS plan, 11% to the managed plans and 1% to the few continuing supplementary agreements.

The following table shows the invested assets as at December 31, 1983 comparing the amortized cost and the market values for different asset classes:

	Investments As At December 31, 1983			
($ Thousands)	Amortized Cost		Market Value	
Short Term	$ 115,063	4%	$ 115,063	4%
Bonds	911,644	30	893,454	26
Mortgages	767,418	25	790,663	23
Equities	1,078,744	35	1,406,256	41
Venture Capital and Special	48,707	1	48,707	1
Real Estate	153,967	5	174,391	5
Capital Market Investments	$3,075,543	100%	$3,428,534	100%
Special Provincial Debentures	1,293,025			
Total Investments	$4,368,568			

The total investments at amortized cost at the end of 1982 amounted to $3,733,529,000 and increased 17% during 1983. However, the marketable portion of the portfolio grew 26% in 1983. Investments in special Provincial debentures was discontinued in 1978 and during the last five years all funds available for investment have been invested in capital market securities. The special Provincial debentures now make up only 30% of the total Fund investments. The market value of the capital market securities shows an unrealized capital gain of $352,991,000 at the end of 1983 or 11% greater than the amortized cost of the investments.

There is one standing committee of the Board, the Investment Policy Committee, which includes three board members, two senior staff and four investment specialists appointed by the Board. This committee meets monthly and is responsible for recommending to the Board for approval the longer term asset mix policy and the criteria and guidelines to allow staff to undertake day to day investments on behalf of the Board. The Investment Policy Committee also approves quarterly investment programs and certain types of investments.

The current asset mix policy, which has been adopted to provide a reasonable expectation of exceeding future liabilites with a low risk of falling short of this objective, is as follows:

	Asset Mix Policy			
	Policy Range			Year-End
Class of Asset	High	Mid-Point	Low	Position
Short Term	35%	2%	0%	4%
Debt Investments:				
Bonds	46%	23%	16%	24%
Term Loans	5	3	2	2
Mortgages	43	23	17	23
	65%	49%	35%	49%
Equity Investments:				
Equities	60%	44%	30%	42%
Real Estate	10	5	2	5
	70%	49%	32%	47%
Total Investments		100%		100%

The Board targets the asset classes to the mid-point of the policy range based on the market values of the assets. As can be seen the actual position of the Fund at the end of 1983 was almost at the mid-point.

The average return on the capital market securities for the last five years based on a calculation where the

net investment income (income less direct investment expenses) is divided by the average book value of investments, weighted monthly is as follows:

Year	Capital Market Securities	Total Fund
1983	11.6%	10.8%
1982	12.1	10.9
1981	12.1	10.6
1980	10.7	9.7
1979	10.9	9.6

At the beginning of 1983 there was general agreement among forecasters that the "recession" of 1981/82 was near an end and that there would be a modest improvement in the economy measured by a 2% growth in the Gross National Product in real terms, unemployment would remain high around the 13% range and that inflation reflected in the Consumer Price Index would be in the 7-8% range. In actual fact, based on the above three indicators, the 1983 economic performance was much better than expected. The Gross National Product in real terms grew 3%, the unemployment rate averaged 11.9% and the Consumer Price Index plunged to an eleven year low of 4.2% in November, 1983. Other 1983 economic highlights saw:

- industrial production climb nearly 20%
- industrial capacity utilization rise to 75% from 65%
- productivity (measured by real output per employee) rise at an annual rate of 3%
- corporate profits rise an estimated 53% during the year
- the Toronto Stock Exchange composite index rise 33% during the year ending almost 90% above the mid-1982 recession low
- interest rates remain remarkably stable during the year.

The major change in portfolio of capital market securities at the end of 1983 compared to the end of 1982 was a reduction in short term securities from 12% of the portfolio to 4% and an increase in equity investments from 39% to 47% of the portfolio.

A comparison of the portfolio at market value at the end of 1983 and 1982 is as follows:

($ Thousands)	Market Value as at December 31				
Class of Asset	1983		1982		Net Increase
	$	%	$	%	
Short Term Debt	$ 115,083	4	$ 312,095	12	$(197,032)
Investments	1,684,117	49	1,247,407	49	436,710
Equity Investments	1,629,354	47	993,862	39	635,492
Total	$3,428,534	100	$2,553,364	100	$ 875,170

On an amortized cost basis, the debt investments increased $393 million during 1983 and equity investments increased $439 million while short term investments decreased $197 million for a net increase of $635 million. In fact, actual purchases of debt and equity investments totalled $1,384 million in 1983 and sales or redemptions totalled $550 million.

Schedule 5 of this report provides details of the investments at the end of 1983 at both amortized cost and market values. The following are brief highlights of the major transactions during the year:

- short term holdings were reduced in 1983 to accommodate purchases of other asset classes and at year end the short term portfolio was near the policy target established by the Board
- bond investments held the share of the portfolio within the policy adopted for this class of asset and investments were structured to reduce potential losses from a possible return to higher interest rates in the longer term. Trading in this portion of the portfolio produced capital gains in excess of $2 million
- three quarters of the funds invested in mortgages were directed to residential properties insured by Central Mortgage and Housing Corporation and 25% to commercial mortgages. This segment of the portfolio maintained a level consistent with the asset mix policy
- the term lending portion of the portfolio increased 66% from $45 million to $75 million during 1983
- the equity portion of the portfolio increased due to higher market values at the end of 1983 compared to 1982 and further investments were made in Canadian stocks and in foreign stocks, invested on behalf of OMERS by investment consulting firms. Realized capital gains from the sale of equities amounted to $45 million during the year

- investments in real estate increased 54% with over $50 million invested during the year in a variety of real estate vehicles

- the special situation portion of the portfolio includes oil and gas investments, venture capital investments and private placements. These increased $53 million or 75% during the year.

This aspect of the management and administration of OMERS continues to be a major responsibility of the Board. Care is taken to ensure that the investment of available funds maximizes the value of invested capital over time through the addition of investment income and capital appreciation and at the same time ensure the safety of the Fund. The investment earnings in 1983 equalled the total of member and employer contributions to the basic plan whereas five years ago investment earnings were only two-thirds of total contributions.

FINANCE AND ADMINISTRATION PROGRAM

The following is a summary of the significant financial transactions during the year:

- member contributions to the basic plan amounted to $180 million in 1983, an increase of only 5% over 1982 member contributions

- employer contributions during the year included $182 million matching the member contributions, plus $10 million of interest on instalment payments for past service and an initial amount of $125 million from the transfer of past service pension liabilities from the supplementary benefit reserve to the basic benefit reserve (the offsetting account receivable is shown on the balance sheet as a long term receivable)

- investment income totalled $425 million with $7 million credited to supplementary benefit agreements and $47 million credited to managed plans

- assets totalling $4 million held under prior service agreements were transferred to supplementary agreements in 1983 and $136 million of supplementary agreement assets were transferred to the basic benefit reserve with the wind-up of the prior service agreements and the conclusion of funding supplementary agreements as separate pension plans

- at the end of 1983, supplementary benefit agreements continued to be operated as separate pension plans for special early retirement benefits for members with a normal retirement age of 60 years and assets in these agreements totalled $65 million

- $69 million was paid during 1983 in the form of monthly pensions to retired members or their beneficiaries, an increase of 25% over payments in 1982

- member contributions refunded amounted to $26 million in 1983 with $16 million representing payments to terminating members and $10 million of transfers to registered retirement savings plans from member supplementary benefit contributions

- $28 million was returned to employers as surplus funds due to the changes to the supplementary benefit program noted earlier.

The administration of OMERS includes pension administration for the basic plan, the supplementary benefit program and the four Managed Plans administered by the Board under agreement but which are separate and distinct from OMERS. The Board receives management fees for the administration of the supplementary benefit program and the managed plans. However, with the major change to the operation of supplementary benefits that took place in 1983, the fees recovered by the Board were $319,000 less than in 1982.

The administration also includes expenses directly related to the investment of funds in capital market securities and these expenses are increasing each year as this portfolio continues to grow into one of the largest pools of pension fund capital in Canada. Certain costs such as commissions on the purchase and sale of common-stocks are added to the purchase price or deducted from the sale price of the investment. Servicing fees for mortgages and funds managed on behalf of the Board are deducted from related investment income as are banking and custodial charges.

In addition to the pension administration and direct investment expenses, there are expenses related to accounting, data processing and general office management. All of the administrative expenditures of OMERS are paid from the Fund and the Board controls the administrative expenses by applying the following expenditure guideline:

- 1% of member and employer contributions to the basic OMERS plan
- 1/10 of 1% of the capital market securities at amortized cost at year end, plus
- management fee recoveries.

The administrative expenses for 1983 amounted to $5,289,000. Management fees of $40,000 were recovered from the supplementary agreements still in operation and $473,000 from the managed plans. 1% of member and employer contributions amounted to $3,619,000 and 1/10 of 1% of the capital market securities amounted to $3,076,000. The total expenditure guideline for 1983 amounted to $7,215,000 and the expenditures of $5,289,000 represented 74% of the guideline.

The following table summarizes the net administrative expenses and the expenditure guideline for the last five years.

ADMINISTRATIVE EXPENDITURES AND GUIDELINES

($ Thousands) Year	Administrative Expenditures	Expenditure Guideline	Percentage
1983	$5,289	$7,215	74
1982	4,362	6,613	66
1981	3,472	5,431	64
1980	2,856	4,382	65
1979	2,277	3,568	64

The above table indicated that the Board continues to operate the System well within the guidelines established for overall control.

60% of the administrative expenses of OMERS are related to salaries and fringe benefits and 25% are related to services such as professional services, office accommodation, computer time rental and special research and information services for the investment program.

During 1983 over $69 million was paid as pensions to retired members or their beneficiaries. This represents an increase of 25% over pension payments in 1982. The following table compares pension payments to member and employer contributions during the last five years.

COMPARISON OF PENSION PAYMENTS TO CONTRIBUTION INCOME

($ Thousands) Year	Pension Payments	Contributions	Percentage
1983	$69,315	$361,937	19.2
1982	55,305	334,008	16.6
1981	45,128	288,934	15.6
1980	35,480	252,744	14.0
1979	28,303	223,587	12.7

The pension payments are becoming a larger proportion of contribution income indicating a maturing of the plan. During the same period however, the investment income became a larger contribution to total income and pension payments as a percentage of both contribution income and investment income was relatively stable during the five year period ranging from 7.8% in 1979 to 9.5% in 1983.

As indicated earlier in this report, the Board, under agreement, manages and administers four pension plans separate and distinct from OMERS. These plans have a combined contributing membership of 14,700 employees and monthly pensions are paid to 1,104 retired employees or their beneficiaries. At the end of 1983 the Board held deposits of almost $500 million representing the investments of these pension plans. These deposits are pooled with other funds of OMERS into a single investment program.

Much of the day to day administration of OMERS is performed by the employees of the 1,046 local government employers participating in the System. The participating employer is the first line of communication regarding OMERS with each employee and a word of credit is due this group of "OMERS' administrators" for the fine work they do. The authorized staff complement for 1983 was 107 employees with approximately one-third employed in each of the pension program, the investment program and the finance and administration program. This compares to an authorized complement of 102 employees in 1982 and 93 in 1981.

THE BOARD AND ITS ADVISORS

Changes to the membership of the Board during the year occurred in January, 1983 when Mr. Ted Matthews, Reeve of Sidney Township, was appointed to the Board for a one-year term and in May, 1983 when Mrs. Lenore McIntosh resigned from the Board. In December, 1983 Messrs. Burke and Matthews were re-appointed to the Board for three year terms ending December 31, 1986; Mrs. Anne Newman, an employee of the Municipality of Metropolitan Toronto, was

appointed to the Board for a three year term replacing Mrs. McIntosh; and Mr. Merv Beckstead, Chief Administrative Officer of the City of Nepean, was appointed to the Board for a three year term replacing Mr. Don Schaefer who had served on the Board for six years.

Mr. Grant Boyce was appointed Chairman of the Board in January, 1983 and Mr. Sam Dobbin was appointed Vice-Chairman of the Board. Messrs. Boyce, Bernardi and Roberts were appointed to the Investment Policy Committee of the Board for 1983.

During 1983 Mr. R. A. Field of the Wyatt Company continued as actuary to the Board, Mr. Purdy Crawford of Osler, Hoskin & Harcourt served as legal advisor and Dr. R. G. McKenzie was the Board's medical advisor. The firm of Coopers & Lybrand were the auditors of the Fund for 1983.

CONCLUSION

OMERS continued to be in a sound financial position with assets on hand exceeding liabilities for pensions under payment to retired members and their beneficiaries, vested deferred pensions and pensions earned to date by contributing members. In addition, the rates of contribution for members and employers are sufficient to fund the accrual of pension benefits in the foreseeable future.

This strong financial position has continued following the introduction of the "90 Factor" unreduced early retirement benefit, the major restructuring of the supplementary benefit program and the establishment of a method of regular annual increases to pensions under payment.

In April, 1984 the Government released the Ontario Proposals for Pension Reform culminating many years of study into public and private pensions in the Province. This will have an impact on OMERS but the Board is hopeful that such changes will not seriously erode the strong financial position of the Fund.

The Board is responsible for the management and administration of OMERS, the continued growth, changes and improvements in the pension area, the remarkable growth of the investment program in capital market securities and all of the attendant administrative duties associated with both pensions and investments. This responsibility provides an exciting challenge to the Board. The members of the Board and the staff of the System undertake this responsibility on behalf of the thousands of municipal employees, both active and retired, and feel privileged to be able to serve local government in Ontario.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Balance Sheet

as at December 31, 1983

	(1983) (000's)	(1982) (000's)
Assets		
Investments (note 2)	$4,368,568	$3,733,529
Long term receivables (note 4)	116,900	–
Leasehold improvements (note 1)	301	–
Contributions receivable	47,204	34,479
Accounts receivable	491	440
Accrued income	103,660	38,007
Cash	10	5
	$4,637,134	$3,806,460
Reserves and Liabilities		
Reserves for:		
basic benefits (note 3)	$4,070,275	$3,191,720
prior service benefits (note 4)	–	4,361
supplementary benefits (note 4)	64,594	190,304
	$4,134,869	$3,386,385
Deposits from administered pension funds (note 5)	$ 499,299	$ 413,160
Accounts payable and accruals	2,938	6,874
Pension benefits payable	28	41
	$4,637,134	$3,806,460

Signed on behalf of the Board

Member

Member

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Statement of the Reserves

for the year ended December 31, 1983

	Basic Benefits Reserve (000's)	Prior Service Benefits Reserve (000's)	Supplementary Benefits Reserve (000's)	Total (000's)	1982 (000's)
Balance, beginning of year	$3,191,720	$4,361	$190,304	$3,386,385	$2,785,377
Increases in Reserves					
Contributions of:					
• Members	179,814			179,814	170,918
• Employers, current service	182,123		4,069	186,192	206,986
• Employers, unfunded liabilities (note 4)	124,521			124,521	
	486,458		4,069	490,527	377,904
Interest income on unfunded liabilitiies	9,794			9,794	
Income earned from investments	418,325		6,715	425,040	355,876
Administrative expenditures recovered from:					
• Supplementary benefits reserve	40			40	414
• Administered pension funds (note 5)	473			473	418
	513			513	832
Transfer to basic benefits reserve from:					
• Prior service benefits reserve					528
• Supplementary benefits reserve	140,815			140,815	45,110
	140,815			140,815	45,638
Transfer to supplementary benefits reserve from:					
• Prior service benefits reserve			4,361	4,361	81
Total Increases	1,055,905		15,145	1,071,050	780,331
Decreases in Reserves					
Members' pensions	69,315			69,315	55,305
Members' contributions plus interest refunded	26,115			26,115	16,064
Transfers to other pension plans	1,347			1,347	1,619
Income credited to administered pension funds (note 5)	47,192			47,192	39,341
Closing supplementary agreements	28,092			28,092	16,500
Transfers to basic benefits reserve for:					
• Pension present value			5,198	5,198	28,869
• Members' contributions plus interest refunded					16,675
• Transfers to other pension plans					5
• Other					88
• Closing supplementary agreements			135,617	135,617	
			140,815		
• Administrative expenses			40	40	414
Transfer to supplementary benefits reserve for:					
• Closing prior service agreements		4,361		4,361	81
Administrative expenditures	5,289			5,289	4,362
Total Decreases	177,350	4,361	140,855	322,566	179,323
Balance, end of year	$4,070,275	$—	$ 64,594	$4,134,869	$3,386,385

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Schedule of Administrative Expenditures

for the year ended December 31, 1983

	(1983) (000's)	(1982) (000's)
Personnel Services Including Employee Benefits		
Salaries of regular staff	$2,628	$2,252
Salaries of casual staff	84	60
Pensions	193	165
Employee benefits	198	143
	$3,103	$2,620
Transportation and Communication		
Travel	$ 123	$ 87
Telephone	141	111
Postage and express	116	86
	$ 380	$ 284
Purchase of Services		
Actuarial	$ 105	$ 139
Audit	60	45
Medical	18	14
Legal	233	95
Other professional	45	38
Recruitment and training	10	34
Office rental	502	381
Computer processing	207	208
Equipment maintenance	13	10
Insurance	3	3
Board's services	110	106
Research and information	67	56
	$1,373	$1,129
Materials and Supplies		
Furniture and equipment purchases	$ 83	$ 57
Supplies and stationery	165	111
Publications for members and employers	110	128
Office alterations	–	33
Amortization of Leasehold Improvements	75	–
	$ 433	$ 329
Total Expenditures	$5,289	$4,362
Distribution		
• Pensions	$2,959	$2,721
• Investments	2,330	1,641
	$5,289	$4,362

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Notes to the Financial Statements

for the year ended December 31, 1983

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

Contributions

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

Benefits

Payments for benefits are recorded in the year in which such payments are made.

Fixed Assets

Leasehold improvements are recorded at cost less accumulated amortization. The basis of amortization is straight-line over a 5 year period.

2. INVESTMENTS

The following is a description of the investments:

(a) Province of Ontario debentures issued under section 8(4) of the Ontario Municipal Employees Retirement System Act.

Date of Maturity	Weighted Average Interest Rate	Cost (000's)
December 31, 1993	8.06%	$ 129,500
December 31, 1994	9.50%	148,825
December 31, 1995	9.70%	182,250
December 31, 1996	6.00%	20,100
December 31, 1997	6.30%	24,900
December 31, 1998	7.21%	33,100
December 31, 1999	8.19%	46,700
December 31, 2000	9.10%	57,600
December 31, 2001	7.85%	75,000
December 31, 2002	9.50%	265,800
December 31, 2003	9.45%	187,950
December 31, 2006	9.77%	121,300
		$1,293,025

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Notes to the Financial Statements

for the year ended December 31, 1983

2. INVESTMENTS (continued)

The weighted average interest rate on the total investment in Ontario debentures is 9.07%. Market value for the Ontario debentures has not been determined as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1982.

(b) Investments commencing September 30, 1975 under section 8(6) of The Ontario Municipal Employees Retirement System Act which are subject to the limitations of the regulations of The Pension Benefits Act.

	1983 (000's)		1982 (000's)	
	Market Value	Cost	Market Value	Cost
Short Term Deposits	$ 115,063	$ 115,063	$ 312,095	$ 312,095
Bonds & Debentures	893,454	911,544	666,262	668,020
Mortgages	790,663	767,418	581,144	618,008
Equities	1,406,256	1,078,744	856,102	715,728
Venture Capital & Special	48,707	48,707	25,137	25,137
Real Estate	174,391	153,967	112,624	101,516
	$3,428,534	$3,075,543	$2,553,364	$2,440,504

Market value is quoted value for bonds, debentures and equities.
Market value for mortgages is computed based on market yields.
Market value for real estate is appraised value as provided by our property managers.
Market value for venture capital has been assumed to equal the cost due to the special nature of the investment.

(c) Total investments at cost	$4,368,568,000	$3,733,529,000

3. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

Effective January 1, 1983 new rules were introduced which permit a member to retire on full benefits, within 10 years of normal retirement, if the sum of the member's age and years of service equals or exceeds 90. This change had the effect of reducing the actuarial surplus by $159,400,000.

The latest actuarial valuation of the Fund dated January 1, 1983 determined the total actuarial liabilities of the Fund for basic benefits to be $3,508,429,000 using the unit credit cost method. The adjusted book value of accumulated assets at that date was $3,518,232,000 resulting in an actuarial surplus of $9,803,000.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Notes to the Financial Statements

for the year ended December 31, 1983

3. BASIC BENEFITS RESERVE (continued)

The results of the actuarial valuation projected to December 31, 1983, indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits earned from January 1, 1983 to December 31, 1983.

4. SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of supplementary benefits. The supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

Effective January 1, 1983 all assets and liabilities with respect to prior service agreements were transferred to the supplementary reserve. On the same date, the assets and liabilities of most supplementary agreements were then transferred to the basic OMERS plan.

Where the assets transferred from the previous agreements were not sufficient to provide for the liabilities, the unfunded amounts were identified and are being paid off by the participating employers. Such unfunded liabilities are now recorded in the basic benefits reserve and are offset by a long-term receivable from the participating employers, to be paid, with interest, over a period not to exceed 15 years. For any previous agreements where the assets were in excess of liabilities, the resulting surplus was refunded to the participating employers.

5. ADMINISTERED PENSION FUNDS

The administered pension funds (which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the members of the Legislative Assembly as represented by the Board of Internal Economy [The Caucus Employees Retirement Fund] and the Minister of Energy for the Province of Ontario [The Ontario Hydro Guarantee Fund]) are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

6. COMMITMENTS

Total investment commitments outstanding at December 31, 1983 amounted to approximately $255,000,000 of which $167,000,000 relates to mortgages, $55,000,000 to real estate, $1,000,000 to term lending and the remaining $32,000,000 to venture capital.

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of $518,190 to January 31, 1988.

Coopers
&Lybrand

chartered accountants

2 Sheppard Avenue East
North York Ontario
Canada M2N 5Y7

telephone (416) 224-2140
cables Colybrand
telex 06-23590

a member firm of
Coopers & Lybrand (International)

March 30, 1984

AUDITORS' REPORT TO THE
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1983, and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1983 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

THE Wyatt COMPANY

PENSION PLANS
EMPLOYEE BENEFITS
INTERNATIONAL BENEFITS
RISK MANAGEMENT
COMPENSATION PROGRAMS
EMPLOYEE COMMUNICATIONS

ACTUARIES & CONSULTANTS

141 ADELAIDE STREET W.
SUITE 606
TORONTO, ONTARIO M5H 3L5

(416) 862-0393

HALIFAX MONTREAL
OTTAWA TORONTO
CALGARY VANCOUVER
AND
PRINCIPAL CITIES
AROUND THE WORLD

Actuarial Certificate at December 31, 1983

Ontario Municipal Employees Retirement Board

The most recent actuarial valuation of the above Plan was conducted at January 1, 1983 using the unit credit cost method.

The results of the valuation disclosed total actuarial liabilities of $3,508.429 million in respect of benefits accrued for service to January 1, 1983. The adjusted book value of accumulated assets at that date was $3,518.232 million indicating an actuarial surplus of $9.803 million.

The results of the valuation at January 1, 1983 also indicated that the existing levels of employee and employer contributions are sufficient to meet the cost of benefits to be earned each calendar year until the next actuarial valuation is made.

We are of the opinion, therefore, that the assets of the Fund at December 31, 1983 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

R. Alvin Field

April 11, 1984

R. Alvin Field, F.S.A.
Fellow, Canadian Institute of Actuaries

Schedule 1

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
5 Year Review of Financial Data — 1979 to 1983

($ Thousands)	1983	1982	1981	1980	1979
*Investments at Cost					
Provincial Debentures	$1,293,025	$1,293,025	$1,293,025	$1,293,025	$1,293,025
Marketable Securities	3,075,543	2,440,504	1,776,764	1,215,409	758,997
	4,368,568	$3,733,529	$3,069,789	$2,508,434	$2,052,022
*Reserve for Basic Benefits	$4,070,275	$3,191,720	$2,604,125	$2,118,691	$1,718,763
Funds Held for:					
Prior Service Agreement Reserve	—	4,361	4,714	4,929	5,040
Supplementary Benefit Agreement Reserve	64,594	190,304	176,539	153,088	135,544
Managed Plans	499,299	413,160	340,059	276,819	226,768
	$4,634,168	$3,799,545	$3,125,437	$2,553,527	$2,086,115
Investment Income Earned					
Basic Plan	$371,133	$298,605	$238,447	$177,907	$137,381
Prior Service Agreements	—	225	235	246	95
Supplementary Benefit Agreements	6,715	17,704	14,318	12,703	11,613
Managed Plans	47,192	39,341	31,479	23,930	19,202
	425,040	$355,875	$284,479	$214,786	$168,291
Contributions Received for:					
Basic Plan	$496,252	$336,368	$289,121	$253,571	$226,440
Prior Service Agreements	—	32	32	32	32
Supplementary Benefit Agreements	4,069	41,504	37,507	29,768	27,836
	$500,321	$377,904	$326,660	$283,371	$254,308
Payments to Members					
Pensions Paid	$ 69,315	$ 55,304	$ 45,128	$ 35,480	$ 28,303
Contributions and Interest Refunded	26,115	16,064	21,676	17,822	27,142
Transfers to Other Plans	1,347	1,619	1,106	1,050	653
	$ 96,777	$ 72,987	$ 67,910	$ 54,352	$ 56,098
Administrative Expenditures and Recoveries					
Pension Program					
Gross	$ 2,959	$ 2,721	$ 2,399	$ 2,133	$ 1,809
Fee Recoveries	513	832	765	640	573
Net	$ 2,446	$ 1,889	$ 1,634	$ 1,493	$ 1,236
Investment Program	2,330	1,641	1,073	723	468
	$ 4,776	$ 3,530	$ 2,707	$ 2,216	$ 1,704
Average Yield on Investments					
Provincial Debentures	9.07%	9.07%	9.07%	9.07%	9.07%
Marketable Securities	11.66%	12.13%	12.09%	10.71%	10.88%
Total Portfolio	10.80%	10.91%	10.63%	9.74%	9.55%

Unaudited figures

*the amount shown for each year as at December 31 is cumulative

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
5 Year Review of Selected Data — 1979 to 1983

	1983	1982	1981	1980	1979
*Employers					
Municipalities	490	491	489	487	473
School Boards	133	129	126	122	123
Other Local Boards	423	422	422	418	419
	1,046	1,042	1,037	1,027	1,015
*Members Contributing, Employed by					
Municipalities	65,588	64,510	63,280	61,875	60,757
School Boards	32,536	32,027	30,828	30,033	29,619
Other Local Boards	29,725	29,584	28,929	27,823	27,110
	127,849	126,121	123,037	119,731	117,486
*Members Contributing					
Female	48,287	46,924	44,827	42,743	41,224
Male	79,562	79,197	78,210	76,988	76,262
	127,849	126,121	123,037	119,731	117,486
*Normal Retirement Age 65	110,343	108,855	106,314	103,420	101,872
*Normal Retirement Age 60	17,506	17,266	16,723	16,311	15,614
	127,849	126,121	123,037	119,731	117,486
*Terminated Members Who Have Elected a Deferred Pension	3,721	3,710	3,326	3,551	3,320
*Number of Pensioners by Type of Pension					
Normal Retirement	14,386	13,442	12,540	11,558	10,550
Early Retirement	4,034	3,341	2,886	2,451	1,986
Disability Retirement	1,603	1,473	1,379	1,232	1,078
Spouses and Children	5,590	5,031	4,505	4,029	3,631
	25,613	23,287	21,310	19,270	17,245
*Total Membership Comprising Contributing Members, Deferred Pensions and Pensioners	157,183	153,118	147,673	142,552	138,051
Number of Members Enrolled Each Year	9,901	11,764	14,475	13,914	13,168
Number of Members Terminated Each Year	8,173	8,680	11,169	11,869	11,297
Net Increase in Membership	1,728	3,084	3,306	2,245	1,871

Unaudited figures

*Cumulative totals at year end

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Summary of Historical Highlights

1962 — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

1963 — The first members of the System were enrolled on January 1st and the first contributions received one month later.

1965 — Amendments were made for the "locking-in" of contributions as required under the Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

1966 — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

1967 — The supplementary benefit program was introduced.

1968 — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

1969 — A disabled widower was extended the same benefits as a widow on the death of a member.

1970 — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

1971 — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

1972 — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

1973 — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

1974 — A portion of available funds could be invested in marketable securities under the provisions of the Pension Benefits Act commencing in 1975.

1975 — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased by 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

Board authorized to invest a portion of funds in capital market securities.

1976 — Optional service, being service with another governmental employer or war service, was added to the supplementary benefit program.

1978 — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

All pensions being paid to retired members on December 31, 1977 were increased by 3% from March 1, 1978.

1979 — All available funds invested in capital market securities.

1980 — All pensions being paid to retired members on January 1, 1979 were increased by 4% from January 1, 1981.

1981 — Spousal benefits no longer cease on remarriage and the reduction in the spouse pension when the spouse is more than 10 years younger than spouse was eliminated.

1982 All pensions being paid to retired members on December 1, 1981 were increased 4% from July 1, 1982.

1983 All pensions being paid to retired members on December 1, 1982 were increased 4% from July 1, 1983. All vested deferred pensions were similarly increased plus a retroactive adjustment for increases granted to pensions in 1982, 1981, 1980 and 1978.

"90 Factor" unreduced early retirement pensions were introduced.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Summary of Benefits

as at December 31, 1983

Basic Benefits

Normal retirement at age 65 — except policemen and firemen who may retire at age 60.

The annual ***normal retirement pension*** payable to a member is 2% of pensionable earnings multiplied by years of credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means service when contributions have been made, transferred in service and past service under a full Type 1 supplementary benefit;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A ***total disability retirement benefit*** for a disability that, in the first two years, renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A ***pension for life to a widow or widower*** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A ***deferred pension,*** payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An ***early retirement pension,*** commencing within the 10 year period before normal retirement age payable without reduction if the age and service of the member totals 90 or more or reduced 5% per year.

A ***refund*** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has 10 years of continuous service with the employer and is over 45 years of age, then his contributions made after January 1, 1965 may not be refunded.

Portability of the credited service if a member transfers employment from one participating employer to another or to other governmental pension plans under special reciprocal transfer agreements.

Supplementary Benefits (provided by an agreement between a participating employer and OMERS)

Full Type 1 — Final Average Earnings, Past Service Pension

The full Type 1 provides for the service of a member before the member's employer participated in OMERS (past service) to become credited service in the basic plan and be fully portable within the System. Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

Partial Type 1 — Final Average Earnings, Past Service Pension

The partial Type 1 provides a portion of a benefit based on 2% of final average earnings and service before the member's employer participated in OMERS (past service). Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

Type 2 — Current Average Earnings, Past Service Pension

As of January 1, 1983 this type of supplementary benefit is no longer available although all existing agreements at the end of 1982 will continue to operate and member pension amounts are protected.

Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 60 Years

The Type 3 benefit provides for payment of an unreduced pension if a member retires within 10 years of normal retirement date under the following conditions:

(a) completion of 30 or more years of service with the employer, or

(b) due to permanent partial disability as determined by the employer.

Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 65 Years

The Type 3 benefit provides for payment of an unreduced pension only if a member retires within 10 years of normal retirement date due to permanent partial disability as determined by the employer.

Optional Service — The service of a member with another governmental employer or war service may be added to a Type 1 or Type 2 benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND
Summary of Marketable Securities
as at December 31, 1983

($ Thousands)	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
Short Term	$115,063	3.7%	9.59%	$115,063
Bonds				
Government — Canada	$279,769	9.1%	11.58%	$272,048
— Provincial	293,138	9.5	13.31	285,284
— Municipal	25,541	0.8	10.90	22,104
Corporate	232,192	7.6	13.37	233,190
World Bank	6,140	0.2	10.60	5,964
Term Loans	74,864	2.4	14.00	74,864
Total Bonds	$911,644	29.6%	12.38%	$893,454
Mortgages				
Residential				
— Single Family	$ 14,295	0.5%	12.81%	$ 14,549
— Rental	592,291	19.2	13.16	601,360
— Condominium	2,820	0.1	12.21	2,840
Commercial				
— Office Buildings	86,794	2.8	12.63	94,630
— Shopping Centres	54,179	1.8	12.36	60,112
— Hotel	14,692	0.5	15.92	14,970
— Retail	2,347	0.1	12.82	2,202
Total Mortgages	$767,418	25.0%	13.08%	$790,663
Equities				
Canada — Individual Stocks				
— Metals and Minerals	$ 54,399	1.8%	5.69%	$ 80,437
— Oil and Gas	149,386	4.9	2.07	168,199
— Paper and Forest Products	27,043	0.9	1.66	38,551
— Consumer Products	47,317	1.5	6.14	87,958
— Industrial Products	48,366	1.6	5.40	75,677
— Transportation	7,496	0.2	3.82	10,276
— Pipelines	42,301	1.4	5.45	40,098
— Utilities	41,248	1.3	8.45	52,380
— Communications and Media	18,528	0.6	3.48	27,412
— Merchandising	16,461	0.5	5.11	20,365
— Financial Services	150,879	4.9	6.65	187,022
— Management Companies	50,060	1.6	3.59	60,516
Convertible Debentures	15,000	0.5	8.00	15,000
Mutual Funds	13,613	0.5	0.67	24,417
Total Canadian Equities	$682,097	22.2%	4.62%	$888,308

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND
Summary of Marketable Securities as at December 31, 1983

($ Thousands)	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
Equities (continued)				
Non-Canada (Canadian $)				
United States				
— Individual Stocks				
— Machines	$ 5,693	0.2%	5.10%	$ 5,880
— Metals & Minerals	8,734	0.3	2.85	10,171
— Pollution Control	5,594	0.2	1.51	5,771
— Chemicals	5,848	0.2	4.13	4,725
— Diversified — Building	3,534	0.1	8.92	9,837
— Misc. & Diversified	20,597	0.7	3.12	25,226
— Office Equipment	15,083	0.5	3.77	20,556
— Oil — International	16,230	0.5	7.25	16,414
— Oil — Domestic	9,995	0.3	6.21	12,759
— Oil Well Equipment	11,064	0.4	2.83	9,792
— Drugs	15,076	0.5	5.00	21,645
— Electrical Appliances	3,993	0.1	2.63	5,704
— Cosmetics	9,738	0.3	7.26	13,633
— Food	10,570	0.3	7.86	15,336
— Photography	11,482	0.4	5.52	15,278
— Communications & Media	5,350	0.2	1.70	4,820
— Retailing	2,134	0.1	6.47	9,704
— Tobacco	3,235	0.1	9.34	6,048
— Property & Casualty	2,616	0.1	10.26	4,135
— Banks	6,469	0.2	7.03	11,573
— Utilities	13,903	0.4	10.12	16,901
— Mutual Funds	104,949	3.4	3.23	144,038
Global				
— Managed Funds	95,618	3.1	—	109,700
— Mutual Fund	9,142	0.3	3.27	18,302
Total Non-Canadian Equities	$ 396,647	12.9%	3.43%	$ 517,948
Total Equities	$1,078,744	35.1%	4.18%	$1,406,256
Real Estate	$ 153,967	5.0%	8.68%	$ 174,391
Venture Capital & Special	$ 48,707	1.6%	1.33%	$ 48,707
Total Market Fund Investments	$3,075,543	100.0%	9.19%	$3,428,534

***Estimated Market Values**

Bonds:	Quoted values	Real Estate:	Appraised values
Mortgages:	Computed on current market yields	Venture Capital:	Cost
Equities:	Quoted values		